

Understanding the City's Budget

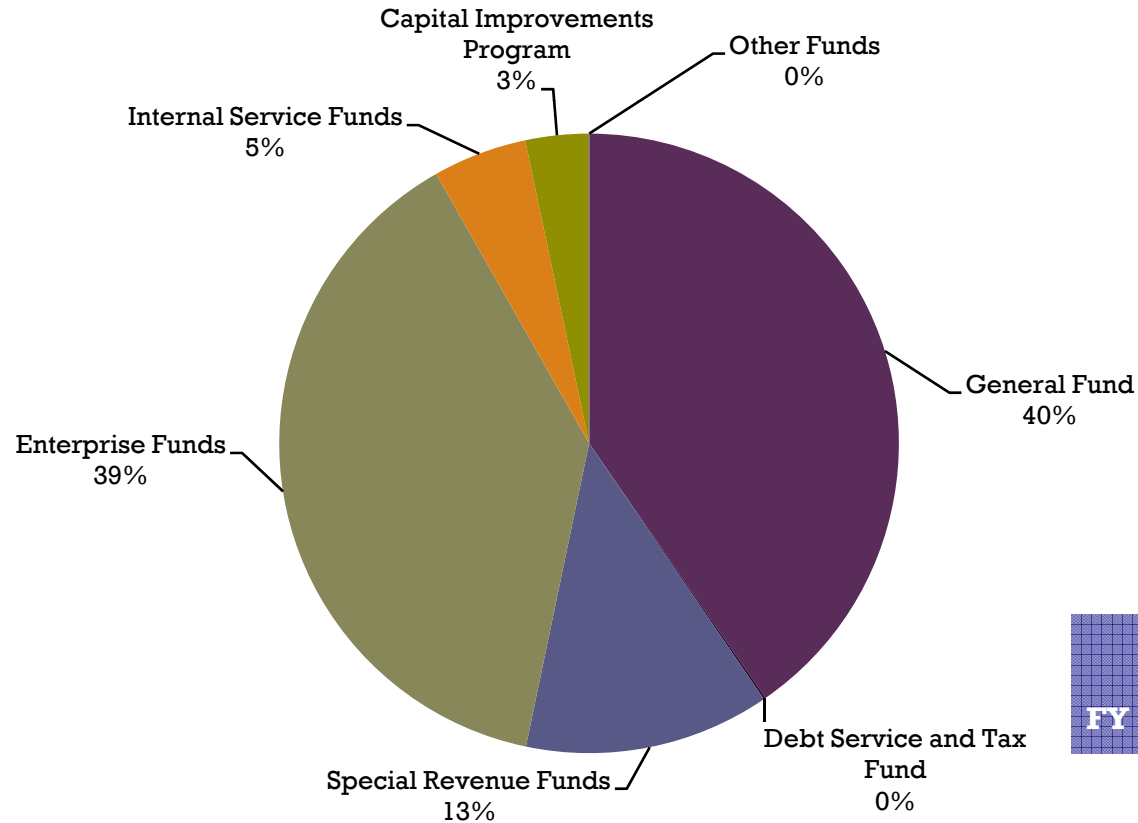
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City of San Diego





Where do City funds come from?

■ Total City Resources FY 2010



**Total City
Revenues for
FY 10 = \$ 2.8 Billion**

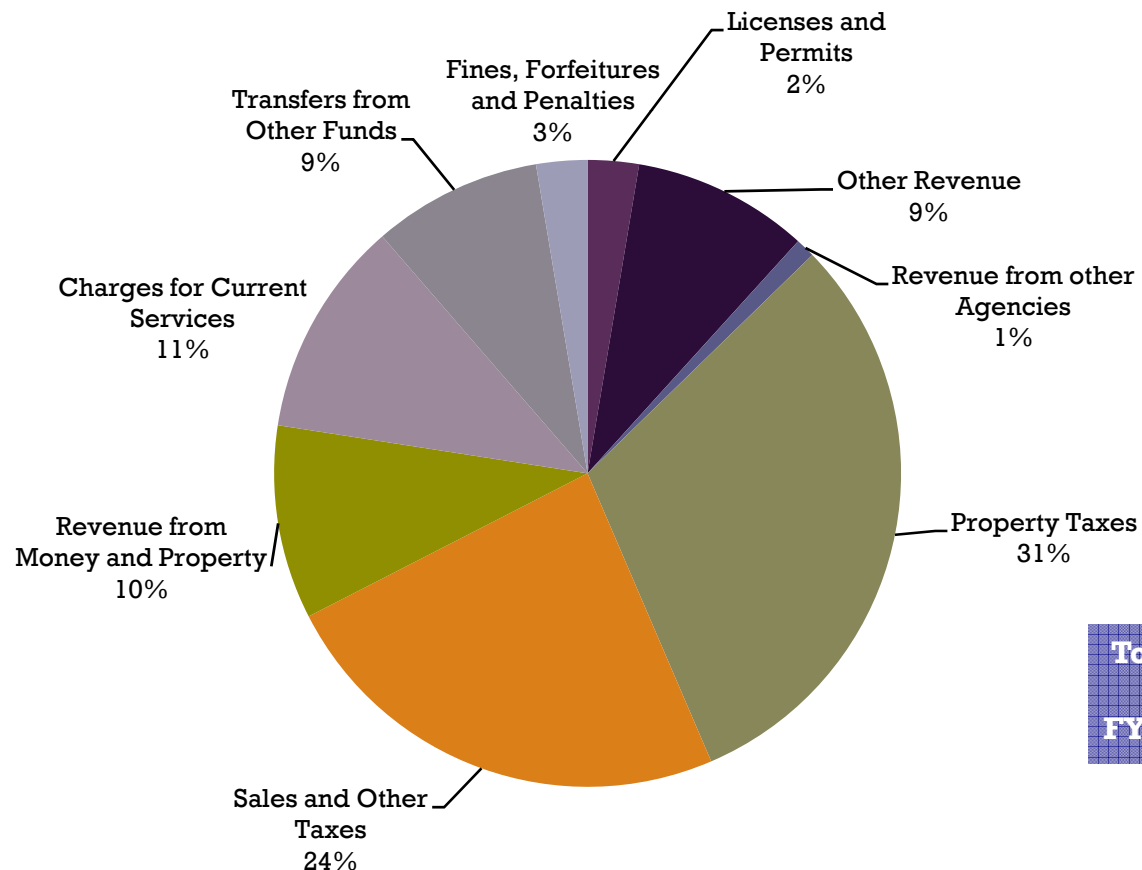


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Where do City funds come from?

■ General Fund Resources FY 2010



**Total General Fund
Revenues for
FY 10 = \$ 1.1 Billion**



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Your municipal tax dollars at work

The diagram below depicts the General Fund **services** that are provided by the City of San Diego and how those services are funded by your tax dollar in Fiscal Year 2010.

11¢ Administration & Other Support Services

Including Community & Legislative
Services, Chief Financial Officer, and
Mayor

18¢ Public Works

Including Environmental Services
i.e. trash collection and General
Services i.e. street maintenance

52¢ Public Safety & Homeland Security

Including Fire-Rescue, Police,
and Office of Homeland Security

2¢ Land Use & Eco- nomic Development

Including Development
Services and Real Estate
Assets



5¢ Non-Mayoral

Including City Council and
City Attorney

12¢ Community Programs

Including Libraries and Park & Recrea-
tion

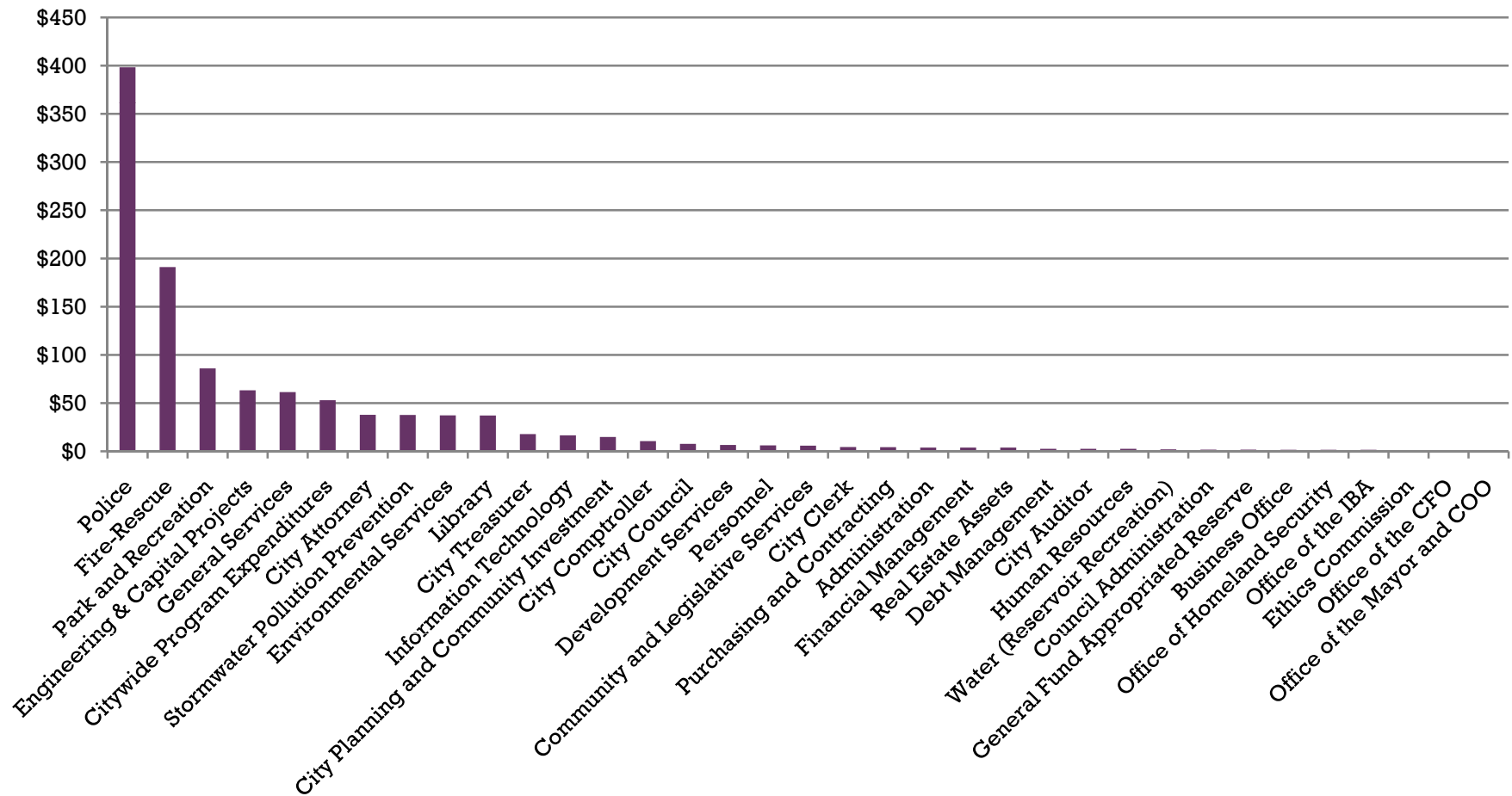


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Where does the City money go?

City of San Diego
FY 2010 General Fund Budget by Department
\$1,129,706,375





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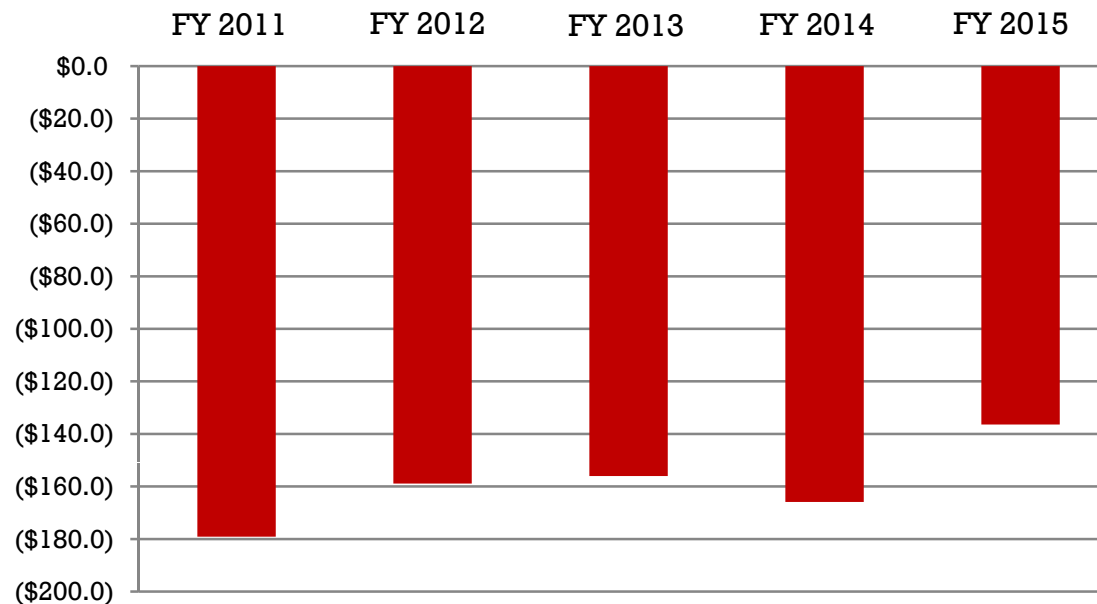
Five-Year Financial Outlook

- On October 1, Mayor Sanders released the City of San Diego's updated five-year financial forecast covering 2011-2015.
- The budget deficit for the next fiscal year (FY 2011) is \$179 million—the largest gap in city history.
- Facing a national economic recession driven by declining housing values, restrictive credit markets, slowed consumer spending and rising unemployment, the fiscal condition of the nation's cities continues to weaken. San Diego is not alone. Nearly nine in ten cities have reported that they are less able to meet fiscal needs in the upcoming year.



FY 2011–2015 Projected Shortfall

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Projected Revenues	\$1,061.6	\$1,094.1	\$1,125.4	\$1,156.8	\$1,196.6
Projected Expenditures	<u>\$1,240.7</u>	<u>\$1,253.0</u>	<u>\$1,281.4</u>	<u>\$1,322.7</u>	<u>\$1,333.0</u>
Forecasted Shortfall	(\$179.1)	(\$158.9)	(\$156.0)	(\$165.9)	(\$136.4)





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\$179.1 million deficit =

- ~16% of the City's General Fund budget (\$1.1 billion)
 - Imagine reducing your household budget by 1/6th ; OR
- Elimination of the City's Parks and Recreation (\$85.9 million), Engineering and Capital Projects (\$63.3 million) and Library Departments (\$37.1 million); OR
- Elimination of the entire Fire-Rescue Department (\$191.1 million); OR
- Elimination of ~2300 employees (out of ~7000 General Fund employees)



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Previous reforms initiated

■ User Fee Adjustments

- City Council adopted a comprehensive User Fee Policy which ensures that User Fees are revised annually to achieve full cost recovery
- Total annual revenue increase: \$6.5 million

■ Business Process Reengineering (BPR)

- The City has completed or is in the process of completing 25 BPR studies and three efficiency studies. From FY 2007 to present, BPRs have resulted in reductions of a total of 401.32 budgeted full-time equivalent personnel.
- Total efficiency and effectiveness savings: \$44.0 million

■ Labor Concessions

- In order to balance the FY 2010 Budget, the City sought concessions from its labor organizations via contract negotiations. (6% compensation reduction)
- Total citywide savings: \$43.8 million (\$32.9 million GF; \$10.9 million non-GF)



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Potential Solutions

■ Vacancy Savings

- The City currently has 800 vacant positions, many of which are public safety positions
- Hiring Freeze in effect

■ Managed Competition

- Per Charter Section 117c, the core public safety services provided by police officers, firefighters, and lifeguards shall not be subject to Managed Competition.
- 54% of the General Fund goes toward public safety expenditures
- It is important to note that privatization will not eliminate the cost to provide services.

■ New Revenues

- Challenge: little political support and voter approval required
- Trash Tax, Storm Water Fee, Transient Occupancy Tax, Real Estate Transfer Tax



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Potential Solutions

■ Trash Tax

- San Diego is the only city in the county and the only major city in the state providing free trash services to certain residents*.
 - * Under the 1919 People's Ordinance, refuse from single family residences is collected by the City with no fee, while refuse from most businesses and multi-family residents must be collected by private refuse haulers, which charge service fees. (The restrictions codified in the Ordinance include the inability of the City to enter private property to collect refuse and the requirement that refuse be placed at the curb line of public streets at designated times in approved containers. While the Ordinance does not detail the requirement for some residents to pay for trash collection while others receive trash collection for free, the practical implication and physical constraints placed on the City by the Ordinance results in inequity).
- A fee for trash services is currently estimated by the City's Independent Budget Analyst to be about \$10.60 per household per month.
- Annual General Fund Impact: \$55 million

■ Storm Water Funding

- Unlike most large California cities, San Diego uses its General Fund as the primary funding source for most storm water programs.
- Over the last several years, General Fund expenditures on storm water-related activities have increased significantly as regulations under the Municipal storm water permit have increased and become more stringent.
- The City's current storm drain fee of \$0.95 per month (for single family residences) generates approximately \$6 million per year, in contrast to the \$48 million that was budgeted for storm water programs.



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Potential Solutions

■ Real Estate Transfer Tax

- San Diego has the lowest real estate transfer tax in California.

■ Transient Occupancy Tax (TOT)

- The City of San Diego currently has a TOT of 10.5%, whereas San Francisco and Los Angeles have a TOT of 14%.
- Only 1/6th of the revenue generated by the TOT actually goes into the city's general fund.



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What's next?

- Mayor has requested that reductions be made by each City Department
 - Police reduction target: \$73,174,816
 - Fire-Rescue reduction target: \$34,715,726
 - Park & Recreation reduction target: \$14,762,064
 - Library reduction target: \$7,514,020
- The City Council's Budget & Finance Committee will hold a series of community budget forums in November and December.
- Budget reduction plan will be implemented as early as January 1, 2010.
- Newly formed Revenue Review and Economic Competitiveness Commission will begin meeting next month.



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Please tell me...

- What are your top priority City services?
- What services do you think could be decreased partially or eliminated entirely?
- What additional revenue options would you support?



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Questions?